GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:424
ANSWERED ON:04.05.2007
INFLATION RATE
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Will the Minister of FINANCE be pleased to state:

(a)whether inflation continued to remain at a high rate of around 6.5% for the last few months;

(b)if so, the reasons therefor along-with the weekly variations during 2007 so far;

(c)whether the Reserve Bank of India (RBI) has taken certain monetary measures to check the prevailing inflation in the country;

(d)if so, the impact thereof;

(e)whether the Asian Development Bank (ADB) has reported that the rise in the interest rate has moderate impact on inflation;

(f)if so, the details thereof; and

(g)the other steps taken/being taken by the Government to check the inflation rate?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P. CHIDAMBARAM)

(a) to (g): A statement is placed on the Table of the House.

STARRED QUESTION NO. #424 (POSITION NO. 4)
STATEMENT REFERRED TO IN REPLY TO
LOK SABHA QUESTION ON MAY 4, 2007
BY SHRI CHANDRA MANI TRIPATHI AND SHRI GURUDAS DASGUPTA
INFLATION RATE

(a) & (b) The WPI-based year-on-year inflation for the period from January 6, 2007 to April 14, 2007 is as indicated in Table 1 below.

Table-1: WPI based weekly rate of inflation (%)

Week-end date	inflation (%)	Week-end date	inflation (%)
06-Jan-07	6.37	03-Mar-07	6.46
13-Jan-07	6.15	10-Mar-07	6.46
20-Jan-07	6.31	17-MAR-07	6.46
27-Jan-07	6.69	24-Mar-07	6.39
03-Feb-07	6.58	31-Mar-07	5.74
10-Feb-07	6.52	07-Apr-07	6.09
17-Feb-07	6.05	14-Apr-07	6.09
24-Feb-07	6.10	Provisional from Feb 24-Apr 14,2007	

Demand-supply gap for some agricultural commodities like wheat, pulses and edible oils, hardening international prices of various commodities, rapid rise in credit and buoyant inflow of foreign currency reserves reflecting positive investor sentiments and a high growth momentum of the economy have been the major reasons for inflation.

(c) RBI has increased the Cash Reserve Ratio (CRR), repo rate and reverse repo rate several times in the recent past to control inflationary pressure in the economy.

(d) The steps taken by RBI, along with other measures taken by Government, are likely to moderate the inflation rate in the near future.

(e) & (f): The Asian Development Bank(ADB), in its Report on Asian Development Outlook, 2007, has stated that in India rising interest rates, coupled with fiscal discipline, will have restraining effect on demand growth from home buyers, manufacturing investors and consumers. It is projected by ADB that during the financial year 2007 and 2008, WPI-based inflation rate will soften and then remain steady at 5.0 per cent and aggregate growth during financial year 2007 will be at 8.0 per cent.

(g): Other recent steps taken by Government to control inflation include:

Reduction in retail prices of petrol by Rs. 2 per litre and diesel by Rs. 1 per litre in November 2006 and again in February 2007.

State Trading Corporation contracting for import of 55 lakh tonnes of wheat to supplement domestic availability.

As against normal applicable duty of 50 per cent, allowing private trade to import wheat at 5 per cent duty from June 28, 2006, and at zero duty from September 9, 2006.

Decision to release up to 4 lakh tonnes of wheat under Open Market Sale Scheme in February and March 2007.

Ban on export of pulses from June 22, 2006 and of wheat and SMP from February 9, 2007.

Reduction in customs duty on import of pulses to zero on June 8, 2006.

Import of pulses by NAFED, STC and PEC to augment domestic availability.

Ban on futures trading in tur and urad from January 24, 2007, and in wheat and rice from February 28, 2007.

Reduction in import duty on palm group of oils by 10 percentage points in August 2006 and by a further 10-12.5 percentage points in January 2007. Maintaining tariff value for assessing import duty unchanged at July 2006 level.

In the Budget 2007-08, crude as well as refined edible oils have been exempted from additional counterveiling duty of 4 per cent. Duty on sunflower oil, both crude and refined, has been reduced by 15 per cent. A further 10 per cent cut in basic customs duty on palm group of oils was notified in April, 2007.